

MERRILL SMALL BUSINESS 401(k)

Why 401(k)

A 401(k) is a company-sponsored retirement investment plan enacted into law in 1978 that helps working Americans invest for their retirement income, receive tax benefits and create a pathway to financial wellness in their present and future. In fact, 76% of employees feel employers are responsible for providing opportunities for financial wellness.¹

Virtually any business — even a sole proprietorship — can implement a 401(k). A 401(k) can benefit your business, your employees and you personally. It can be a win-win for everyone involved.

Benefits to your business

Tax benefits

- Administrative costs and other plan expenses, along with company contributions, generally are tax deductible by the business.
- The SECURE 2.0 Act of 2022 has provided employers with 50 or fewer employees the ability to qualify for a credit equal to 100% of the administrative costs for establishing a workplace retirement plan, up to \$5,000. Note: If your business has fewer than 20 employees, the tax credit cannot exceed \$250 per the number of non-Highly Compensated Employees (non-HCEs). The original SECURE Act from 2019 provided a tax credit equal to only 50% of startup costs.
- In addition to the increased plan startup credit, The SECURE Act introduced a new tax credit for small employer plans that adopt an automatic enrollment provision. Generally, employers with up to 100 employees are eligible for a credit of \$500 for each year of the three-taxable-year period beginning with the first taxable year for which the employer includes an eligible automatic contribution feature.
- 401(k) plans for small businesses are more affordable than you might think — especially when potential tax benefits of the plan outweigh the costs associated with it. For instance, meet Chris in the example to the right.

Competitive edge

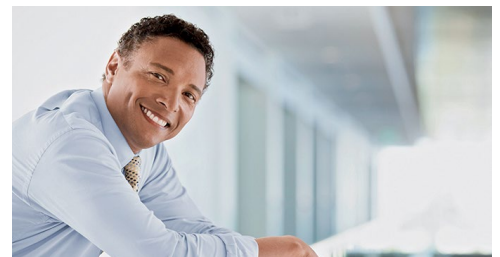
- Offering a qualified 401(k) plan as part of a competitive benefits offering may help you attract and retain valued employees.
- Finding and hiring new talent for your business can be costly and time-consuming. One study revealed that offering a 401(k) plan can lead to an annual cost savings of more than \$100,000 in reduced employee turnover costs alone — doubling the return of the initial costs of offering a 401(k).*
- Generally, you can choose when employees are eligible to participate (for example, immediately, after 12 months of employment) and the vesting schedule (the time frame they need to work for your company before any employer contributions are considered wholly theirs).

*Source: One Secret to Retaining Top Talent? Offering Retirement Benefits: <https://gusto.com/wp-content/uploads/2022/11/Gusto-Research-One-Secret-to-Retention-401k-Retirement-Benefits-Q3FY23.pdf>.

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Investment products:



Let's meet Chris

Chris is a small business owner with fewer than 50 employees. This is the first 401(k) for the business. He's in the 25% income tax rate bracket.

- The business is eligible for a tax credit of up to \$5,000 each year for the first three years.
- Twenty-five employees participate in the plan. Their average salary is \$45,000 with an average contribution rate of 3%. The business makes a 3% matching contribution.
- The business is eligible for a tax deduction of roughly \$33,750.

These potential tax benefits may outweigh any administrative expenses, particularly when you implement a 401(k) designed specifically for a small business.

Hypothetical example for illustrative purposes only. You should consult your tax advisor regarding your specific situation.

Are Not FDIC Insured

Are Not Bank Guaranteed

May Lose Value

Benefits to you and your employees

Opportunity to invest in the future

- A 401(k) allows convenient pre-tax salary deferrals, so the money is invested before individuals have a chance to spend it. A Roth 401(k) feature can be included in the plan as well, which allows after-tax contributions.
- Employees decide how to invest their money for the future.
- Add to this the power of compounding. Earnings realized on investments — including interest, dividends or other returns — may then accumulate additional earnings.
- Help your employees today get on the path to financial wellness in the future.

401(k)s offer higher contribution limits²


- Opportunity for each individual (that means you, too!) to contribute up to \$23,500 annually — much more than a SIMPLE IRA.
- Individuals age 50 or older can contribute up to an additional \$7,500 in “catch-up” contributions.
- Combined total contributions for each individual account (employee contributions and any employer contributions) of up to \$70,000 or 100% of compensation, whichever is less (\$77,500 limit with catch-up contributions).

401(k) Advantages Over a SIMPLE IRA		
	401(k)	SIMPLE IRA
2025 contribution limit	\$23,500	\$16,500
Age 50 and older catch-up amount	\$7,500	\$3,500
Maximum individual annual contributions	\$31,000	\$20,000

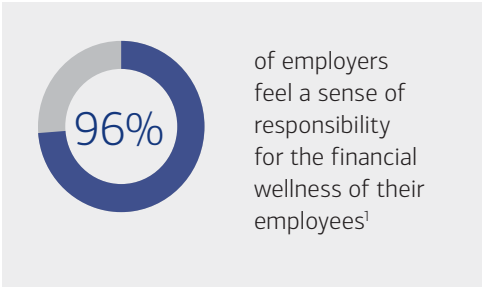
Over time, this difference can really add up. Let’s meet Sue (see right), the spouse of Chris, the hypothetical small business owner from the example on the previous page.

Access to your funds

- You may be able to take out a loan against your 401(k) account or withdraw funds before retirement age to satisfy an immediate and/or financial need.³



More than 8 in 10 workers expect their workplace retirement savings plan to be a source of income in retirement.⁴



Let’s meet Sue

Sue is 35 years old, and her annual salary is \$75,000. She has no retirement savings to date, but is eager to get started.

Estimated Retirement savings at age 65 \$1,206,256	Estimated Retirement savings at age 65 \$788,818
\$23,500 contribution per year to 401(k)	\$16,500 contribution per year to SIMPLE IRA
\$31,000 per year starting at age 50	\$20,000 per year starting at age 50

Sue could potentially receive roughly \$417,438 more from her 401(k) than if she contributed the maximum amount to a SIMPLE IRA. And this doesn’t even take into consideration a plan match!⁵

The next step is easy

A 401(k) may be within your reach with the Merrill Small Business 401(k). It’s a streamlined, affordable and convenient 401(k) solution designed with small businesses in mind. For more information or to get started today, go to merrilledge.com/401k or call an Ascensus 401(k) Consultant at 866.890.4177.

¹ Bank of America 2024 Workplace Benefits Report: <https://business.bofa.com/content/dam/flagship/workplace-benefits/ID22-0888/2024-WBR.pdf>.

² Contribution limits apply for 2025, per IRS cost-of-living adjustment. Amounts for subsequent years may vary.

³ Withdrawals are subject to ordinary income tax. In addition, a federal 10% additional tax may apply to withdrawals taken prior to age 59½.

⁴ Employee Benefit Research Institute (EBRI) 2023 Retirement Confidence: www.ebri.org/docs/default-source/rcs/2023-rcs/2023-rcs-short-report.pdf.

⁵ This example is a hypothetical example meant for illustrative purposes only. It does not reflect an actual investment, nor does it account for the effects of taxes, any investment expenses or withdrawals. Returns are not guaranteed and results will vary. Investment returns cannot be predicted and will fluctuate. Investor results may be more or less. It is not intended to serve as investment advice, since the availability and effectiveness of any strategy are dependent upon your individual facts and circumstances. The example assumes the stated annual contributions are made monthly for 30 years, with a hypothetical annual expected rate of return of 6.4%. This illustrative example was provided by using the calculator found on <https://bankrate.com/retirement/401-k-calculator/>.

The case studies presented are hypothetical and do not reflect specific strategies we may have developed for actual clients. They are for illustrative purposes only and intended to demonstrate the capabilities of Merrill and/or Bank of America. They are not intended to serve as investment advice, since the availability and effectiveness of any strategy are dependent upon your individual facts and circumstances. Results will vary, and no suggestion is made about how any specific solution or strategy performed in reality.

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